

# Crowdfunding: Win-win giving

**Prof. Arthur Gautier, ESSEC Business School and Executive Director of the ESSEC Philanthropy Chair, focuses on how reward-based crowdfunding platforms are shaking up self-interest vs. altruism.**

**Related research:**  
*Beyond the Opposition Between Altruism and Self-Interest: Reciprocal Giving in Reward-Based Crowdfunding,* Journal of Business Ethics.vv



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*An alliance with a purpose*

# THE 3 Ps IN A CoBS POD

 **PERCEIVE**  
with a set of key takeaways

 **PROJECT**  
with food for thought: on yourself, your organisation and the wider context

 **PERFORM**  
by putting it all into practice using action tips





## PERCEIVE

with a set of key takeaways

- By 2025, the total sum of funds raised by hopeful entrepreneurs via crowdfunding platforms will likely surpass \$300 billion (CFX Alternative Investing Crowdfunding Statistics).
- Crowdfunding is popular because: unlike many traditional financing options, reward-based crowdfunding lets entrepreneurs raise money to develop their projects without generating debt or relinquishing some control to a shareholder.
- Reward-based crowdfunding helps founders validate their business ideas by getting feedback on prototypes and pricing directly from their future consumers or patrons.
- According to French sociologist Marcel Mauss, "the idea that inspires all economic acts [...] is neither a purely free and gratuitous provision nor a purely interested, utilitarian notion of production and exchange, but a sort of hybrid."
- Examples of hybrid approaches today: for-profit corporations multiplying their philanthropic and socially responsible activities in order to create shared value; philanthropy is increasingly influenced by values and methods drawn from venture capital; donors and foundations develop systematic processes to solve social problems, by evaluating the social impact of their donations – sometimes quantifying a "social return on investment"; hybrid organizations like social enterprises skillfully combine commercial and social welfare logics.
- Crowdfunding is also a hybrid phenomenon: it allows entrepreneurs and founders of a wide array of projects to directly raise relatively small contributions from a large number of individuals.
- Reward-based crowdfunding platforms like Kickstarter, Indiegogo, and Ulule, accept both nonprofit and for-profit projects, leaving ambiguity around the nature of projects and the underlying intention of their founders.
- The vocabulary used on crowdfunding platforms reflects this ambiguity: users neither "buy" products nor "give" money; they "back" projects and receive "rewards".
- Analysis shows that "hybrid" crowdfunding projects (neither purely commercial nor purely altruistic), are the most successful: the more contributions exceeding the value of the proposed reward (the "return on investment"), the more likely that project is to achieve and even exceed its fundraising goals.
- Entrepreneurship involves social ties and interaction. Crowdfunding helps entrepreneurs extend their inner circle and blend different kinds of relationships: personal acquaintances, social network connections, and commercial interactions.
- Crowdfunding fosters specific kinds of relationships relying on reciprocity: each campaign is also based on an internal process of giving and receiving, where backers give a pledge (the gift) to founders and receive a reward (the counter-gift).
- Three forms of contributions in the crowdfunding space are: Transactions: pledges equalling the amount of the reward, which in fact constitutes a pre-order of a product or service. Reciprocal giving: pledges exceeding the amount of the reward, where the backer voluntarily sends a 'gift' beyond the value of the reward. Non-reciprocal giving: backers who "just want to help the project" by giving without anything in return (they refused any reward).
- Reciprocal giving is a way for members of a society to develop and maintain relationships, as giving obliges the recipient to engage in a reciprocal, cyclical relationship, i.e., giving, receiving, and giving back.
- Research shows that the remarkable success of the reward-based crowdfunding platforms is based on strong reciprocal relations between contributors and project promoters, within one or more communities.
- Contributors give, but they also receive something in return, even if that something is uncertain and not equivalent in value.
- The "return on investment" is often personalized, unique, and may even involve a face-to-face meeting with the entrepreneur.
- Even in a "virtual" universe, which goes beyond the first circle of family and friends, the link between people seems at least as important as the money or the objects in their hands.
- Projects that are more clearly altruistic or commercial have a lower success rate than "ambiguous" projects, which more or less intentionally mix philanthropic and market logics.



Read the full feature  
<https://councilcommunity.org/2017/12/19/crowdfunding-as-mutual-giving/>

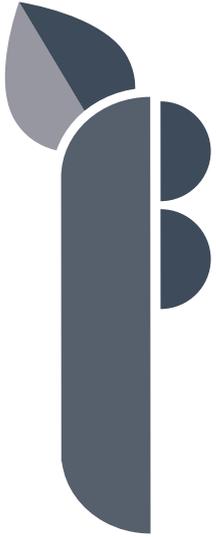


● **PROJECT**  
with food for thought

- To what extent do you think it ethical to want something in return for giving something? Have you ever experienced this – or inversely how would you feel if you didn't receive anything in return?
- Almost everyone has a dream at some time or another of starting up their own business. What would you personally love to have as your business? And to what extent do you think using crowdfunding platforms would be useful in that venture?

*Thoughts*

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# ● **PERFORM**

by putting it all into practice



## CHECKLIST

- 1. Google search a crowdfunding** platform and browse the listed projects. Which one or ones would you feel likely to want to contribute to?
- 2. Analyse why.** Does your wish to contribute fit with the give-give back concept?
- 3. Check that these projects fit with your values,** corporate values and long-term strategy.
- 4. To what extent is your contribution** either a transaction, reciprocal giving, or non-reciprocal giving?
- 5. Look at the amount raised and the timeframe of those you have selected.** To what extent does it fit the last key takeaway – that projects that are more clearly altruistic or commercial have a lower success rate than “ambiguous” projects, which more or less intentionally mix philanthropic and market logics?



# Getting involved

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